

Central State University
(a component unit of the State of Ohio)

Financial Report
Including Supplemental Information
June 30, 2011



Dave Yost • Auditor of State

Board of Trustees
Central State University
1400 Brush Row Road
P. O. Box 1004
Wilberforce, Ohio 45384-1004

We have reviewed the *Independent Auditor's Report* of Central State University, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Central State University is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 23, 2011

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Central State University

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Independent Auditor's Report

To the Board of Trustees
Central State University

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Central State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Central State University as of June 30, 2011 and 2010 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 14, 2011 on our consideration of Central State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
Central State University

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis presented on pages 3 through 11 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 14, 2011

Central State University

Management's Discussion and Analysis - Unaudited

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2011, 2010, and 2009. This discussion should be read in conjunction with the accompanying financial statements and footnotes. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

The University's annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the statement of net assets, statement of revenue, expenses, and changes in net assets, and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The financial statements focus on the financial condition, the results of operations, and the impact on cash flows of the University as a whole.

One of the most important questions asked about the University's finances is whether the University as a whole is better off, or worse off, as a result of the current year's activities. The keys to understanding this question are the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. These statements present financial information in a form similar to that used by corporations. The University's net assets are one indicator of its financial health.

The statement of net assets includes all assets and liabilities of the University. Changes in net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts, such as enrollment levels, changes in state funding, facility changes, and the like.

The statement of revenue, expenses, and changes in net assets presents the revenue earned and the expenses incurred during the year. Activities are reported either as operating or non-operating. The financial reporting model reflects treatment of state and local appropriations, as well as gifts, as nonoperating revenue. Since dependency on State of Ohio and certain federal grants is recognized as nonoperating under accounting principles generally accepted in the United States of America, a public university normally presents operating results as a deficit. The utilization of long-lived assets, primarily capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Another important factor to consider when evaluating the University's financial viability is its ability to meet financial obligations as they mature. One measure of this factor is the University's working capital, or the relationship of its current assets less its current liabilities.

The statement of cash flows presents the information related to cash inflows and outflows. These cash inflows and outflows are summarized by operating, noncapital financing, capital and related financing, and related investing activities. This statement illustrates the University's sources and uses of cash and helps measure the ability to meet financial obligations as they mature.

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in 2004. As such, Central State University Foundation's (the "Foundation") financial statements, footnotes, and management's discussion and analysis have been discretely incorporated into the University's financial statements.

Analysis of Results of Operations

Total revenue for the years ended June 30, 2011 and 2010 was \$65.1 million and \$64.3 million, respectively, of which operating revenue totaled \$33.1 million and \$31.5 million, respectively. Operating revenue in fiscal year 2011 increased \$1.6 million, or 5.1 percent, when compared with fiscal year 2010.

Total revenue for the years ended June 30, 2010 and 2009 was \$64.3 million and \$69.1 million, respectively, of which operating revenue totaled \$31.5 million and \$31.3 million, respectively. Operating revenue in fiscal year 2010 increased \$0.2 million, or 0.6 percent, when compared with fiscal year 2009.

Total expenses for the years ended June 30, 2011 and 2010 were \$60.0 million and \$63.5 million, respectively. Operating expenses decreased \$3.5 million, or 5.5 percent, when compared with fiscal year 2010.

Total expenses for the years ended June 30, 2010 and 2009 were \$63.5 million and \$58.0 million, respectively. Operating expenses increased \$5.5 million, or 9.5 percent, when compared with fiscal year 2009.

The University's operating loss totaled \$26.8 million during 2011 compared to \$31.9 million in 2010, which represented a favorable decrease of \$5.1 million, or 16.0 percent.

The University's operating loss totaled \$31.9 million during 2010 compared to \$26.7 million in 2009, which represented an unfavorable increase of \$5.2 million, or 19.5 percent.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

The University's total net assets for 2011 increased \$5.1 million during 2011 compared to an increase of \$0.8 million during 2010, which represents an favorable increase of \$4.3 million.

The University's total net assets for 2010 increased \$0.8 million during 2010 compared to an increase of \$11.2 million during 2009, which represents an unfavorable decrease of \$10.4 million.

Student enrollment decreased 6 percent in fall fiscal year 2011 compared to fall fiscal year 2010; in-state tuition and fees rate room and board were increased 3.5 percent for 2011 when compared to 2010 amounts.

The \$1.6 million increase in operating revenue during 2011 was related to increases of \$1.1 million in federal grants and \$1.1 million in other sources; a \$0.5 million decrease in state, local, and private grants and contracts; and a \$0.1 million decrease in tuition and fees while indirect cost recovery and auxiliary activities remained flat.

Student enrollment increased 12 percent in fall of fiscal year 2010 compared to fall of fiscal year 2009; in-state tuition and fees rate for 2010 was not increased; however, out-of-state tuition and fees rate was increased 3 percent. Room and board rates for 2010 were increased 7 percent when compared to 2009 amounts.

A breakdown and comparison of operating revenue are provided below:

Operating Revenue (in millions)	2011	2010	2009
Tuition and fees - Net	\$ 9.3	\$ 9.4	\$ 8.6
Federal grants and contracts	9.2	8.1	8.3
State, local, and private grants and contracts	1.0	1.5	3.0
Indirect cost recovery	.6	.6	.6
Auxiliary activities - Net	10.3	10.3	9.0
Other sources	2.7	1.6	1.8
Total	\$ 33.1	\$ 31.5	\$ 31.3

A breakdown and comparison of nonoperating revenue are as follows:

Nonoperating Revenue (Expenses) (in millions)	2011	2010	2009
Federal Pell grant appropriations	\$ 9.8	\$ 9.4	\$ 5.8
Federal fiscal stabilization funds	.9	.9	-
State appropriations	17.7	19.6	21.8
Investment income	-	-	.1
Interest expense	(.1)	(.1)	(.1)
Loss on disposal of capital assets	(.3)	-	-
Total	\$ 28.0	\$ 29.8	\$ 27.6

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

State appropriations include core funding sources composed of the State's Share of Instructional Support (SSIS) and the Central State University Supplement.

A breakdown and comparison of State appropriation revenue are as follows:

State Appropriations (in millions)	2011	2010	2009
State Share of Instructional Support	\$ 5.6	\$ 5.7	\$ 6.3
Central State supplement	12.1	12.1	12.1
Speed to Scale	-	1.8	3.4
Total	\$ 17.7	\$ 19.6	\$ 21.8

The change in State of Ohio funding from 2011 to 2010 was primarily due to the ending of the Speed to Scale with a final decrease of \$1.8 million. The SSIS also decreased by \$0.1 million, or 1.8 percent.

The change in State of Ohio funding from 2010 to 2009 was primarily due to a decrease in SSIS (\$.6 million), and a decrease of Speed to Scale funding (\$1.6 million).

Operating expenses include educational and general, auxiliary enterprises, restricted funding from grants and contracts, and depreciation. A breakdown and comparison of these expenses are as follows:

Expenses (in millions)	2011	2010	2009
Instruction	\$ 12.3	\$ 12.4	\$ 11.6
Research	1.6	1.8	2.1
Student services	3.5	4.3	3.8
Academic support	6.3	6.6	7.8
Public services	1.9	1.9	2.3
Institutional administration	6.7	10.0	8.9
Operation and maintenance of plant	6.7	6.1	5.4
Auxiliary enterprises	12.4	12.6	10.6
Student aid	5.2	4.4	2.3
Depreciation	3.4	3.4	3.2
Total	\$ 60.0	\$ 63.5	\$ 58.0

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Central State University's operating expenses during 2011 reflected a \$3.5 million decrease in operating expenses, totaling \$60.0 million in 2011 as compared to \$63.5 million in 2010. The decrease in expenses was primarily related to a decrease in institutional administration (\$3.3 million), student services (\$0.8 million), academic support (\$0.3 million), auxiliary enterprises (\$0.2 million), research (\$0.2 million), and instruction (\$0.1 million) offset by an increase in student aid (\$0.8 million) and operation and maintenance of plant (\$0.6 million). The changes reflect ongoing realignment of funds to meet the current SAEM strategies, including increased Student Aid while working within the budgetary confinements through increased operational efficiencies.

The University's operating expenses during 2010 reflected a \$5.5 million increase in operating expenses, totaling \$63.5 million in 2010 as compared to \$58.0 million in 2009. The changes reflect ongoing realignment of funds to meet current SAEM strategies, including increased spending in student aid. Auxiliary spending increased due to increased student enrollment and the establishment of the Marauder Zone Bookstore.

Analysis of Overall Financial Position

At June 30, 2011, current assets totaled \$21.8 million, as compared to \$22.0 million at June 30, 2010, a decrease of \$0.2 million. The decrease in current assets was primarily attributable to a \$0.1 million decrease in cash and cash equivalents, and a \$0.1 million decrease in inventory. Current liabilities at June 30, 2011, as compared to June 30, 2010, totaled \$13.5 million and \$15.4 million, respectively, a decrease of \$1.9 million. The decrease in current liabilities was primarily attributable to a decrease of \$1.2 million in deferred revenue, \$0.6 million decrease in accounts payable, and a \$0.5 million decrease in accrued salaries and wages. The decreases were offset by a \$0.3 million increase in deferred student fee revenue and \$0.1 million increase in deposits. The University's working capital ratios at June 30, 2011 and 2010 were 1.61 and 1.43, respectively.

The University's current assets at June 30, 2010 totaled \$22.0 million, as compared to \$18.4 million at June 30, 2009, which represents an increase of \$3.6 million. Current liabilities at June 30, 2010 as compared to June 30, 2009 totaled \$15.4 million and \$11.1 million, respectively, an increase of \$4.3 million. The University's working capital ratios at June 30, 2010 and 2009 were 1.43 and 1.65, respectively.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The \$2.9 million increase in the University's noncurrent assets, which total \$77.2 million at June 30, 2011 and \$74.3 million at June 30, 2010, is associated primarily with a \$6.7 million increase in buildings equipment and construction in progress, which was offset by a \$3.4 million increase in accumulated depreciation.

Noncurrent assets at June 30, 2010 were \$74.3 million, as compared to \$72.6 million at June 30, 2009. The increase was primarily associated with a \$5.0 million increase in buildings and equipment which was offset by a \$3.4 million increase in accumulated depreciation.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

The University's noncurrent liabilities at June 30, 2011 total \$3.1 million, as compared to \$3.6 million at June 30, 2010. The \$0.5 million decrease is attributed to a decrease in long-term liabilities of \$0.4 million and a decrease in long-term debt of \$0.1 million.

Noncurrent liabilities at June 30, 2010 were \$3.6 million, as compared to \$3.5 million at June 30, 2009. The \$0.1 million increase is attributed to an increase in long-term liabilities of \$0.2 million offset by a decrease in long-term debt of \$0.1 million.

The University's net assets were \$82.4 million at June 30, 2011 and \$77.3 million at June 30, 2010.

The University's net assets were \$77.3 million and \$76.4 million at June 30, 2010 and 2009, respectively.

Capital Assets and Long-term Debt Activity

The University utilizes state capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis and individual institutions' capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2011, the University utilized \$3.9 million in state capital appropriations to begin site preparations for the new student center. During 2010, the University utilized \$2.9 million in state capital appropriations for construction.

The University's long-term debt is comprised of notes payable to Housing and Urban Development and the Department of Education. During 2011, the University did not issue any new debt or capital lease obligations and paid \$0.1 million in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

A breakdown and comparison of the University's balance sheets as of June 30, 2011, 2010, and 2009 are provided below:

Balance Sheet (in millions)

	2011	2010	2009
Assets:			
Current assets	\$ 21.8	\$ 22.0	\$ 18.4
Noncurrent assets:			
Restricted cash and equivalents	1.2	1.2	1.2
Capital assets - Net	76.0	73.1	71.4
Total assets	\$ 99.0	\$ 96.3	\$ 91.0
Liabilities:			
Current	\$ 13.5	\$ 15.4	\$ 11.1
Noncurrent	3.1	3.6	3.5
Total liabilities	16.6	19.0	14.6
Net assets:			
Invested in capital assets - Net	74.5	71.4	69.6
Restricted - Expendable	-	1.2	.4
Unrestricted	7.9	4.7	6.4
Total net assets	82.4	77.3	76.4
Total liabilities and net assets	\$ 99.0	\$ 96.3	91.0

Statement of Cash Flows

Net cash used in operating activities was \$25.6 million, \$27.1 million, and \$24.8 million in 2011, 2010, and 2009, respectively. In 2011, cash flows from operating activities were primarily comprised of tuition and fees (\$15.2 million), grants and contracts (\$9.5 million), other receipts (\$2.7 million), and auxiliary enterprise charges (\$3.7 million), which was offset by payments to suppliers and employees of \$56.7 million.

Cash flows from noncapital financing activities were \$28.4 million, \$29.9 million, and \$27.6 million in 2011, 2010, and 2009, respectively. In 2011, these were comprised of State of Ohio appropriations of \$17.7 million, Federal Pell Grants of \$9.8 million, federal ARRA funds of \$0.9 million, and offsetting federal loan receipts and disbursements.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Net cash used in capital and related financing activities for 2011, 2010, and 2009 was \$2.9 million, \$2.3 million, and \$2.2 million, respectively. In 2011, cash flows from purchase of capital assets and construction increased by \$1.7 million and were offset by the increase of \$1.1 million in capital grants and gifts. The change in cash flows from 2010 to 2009 decreased from purchase of capital assets and construction by \$7.3 million which was offset by the decrease of \$7.4 million in capital grants and gifts.

The net decrease in cash and cash equivalents was \$(0.1) million in 2011 with an increase of \$0.5 million and \$0.7 million in 2010 and 2009, respectively. Year-end cash and cash equivalents for 2011, 2010, and 2009 were \$10.7 million, \$10.8 million, and \$10.3 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2011, 2010, and 2009 are provided below:

Cash Flows Activities (in millions)	2011	2010	2009
Cash flows from operating activities	\$ (25.6)	\$ (27.1)	\$ (24.8)
Cash flows from noncapital financing activities	28.4	29.9	27.6
Cash flows from capital and related financing activities	(2.9)	(2.3)	(2.2)
Cash flows from investing activities	-	-	.1
Net (decrease)increase in cash and cash equivalents	(.1)	.5	.7
Cash and cash equivalents - Beginning of year	10.8	10.3	9.6
Cash and cash equivalents - End of year	\$10.7	\$10.8	\$10.3

Factors Impacting Future Periods

Central State University makes continuous strides to be a premier historically black university in the 21st century. This vision is being pursued within the framework of the University's core values of honesty, hard work, caring, and excellence. The leadership of President John W. Garland has supported the University's vision for the past 14 years. The president has announced his retirement effective September 1, 2012. The president's tenure has positioned the University for continued growth and fulfillment of its mission.

Two strategic goals flow from the University's vision. First, the University aims for optimal size of 6,000 students by 2017. Secondly, the University is committed to strengthening the academic profile of the institution. The University is pursuing these two goals simultaneously through its Strategic Academic and Enrollment Management Plan (SAEM). To further advance the implementation of the SAEM plan, academic affairs has reorganized providing the framework for the University's ongoing focus on enrollment growth and student success.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

The newly formed College of Science and Engineering brings together the departments of Natural Sciences, Mathematics and Computer Science from the College of Arts and Sciences and the Water Resources management and Manufacturing Engineering from the College of Business and Industry. Realigning departments from the College of Business and Industry and the College of Arts and Sciences formed the departments into a College of Humanities, Arts, and Social Sciences.

The University College, which will be led by an Associate Dean, will reside in the College of Arts and Sciences. The University College will serve as both a provider and a coordinator of the various University programs designed to support the successful matriculation of first-year students.

In support of continued growth, the University has opened two new living/learning centers for the fall 2011 term. These residence halls are home to 198 students and the Honors Program. This is one step closer to full implementation of the Master Plan.

Central State University

Statement of Net Assets University

	June 30, 2011	June 30, 2010
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 9,478,045	\$ 9,591,177
Accounts receivable - Net of allowance of approximately \$8.2 million at June 30, 2011 and \$9.5 million at June 30, 2010 (Note 3)	11,931,294	11,888,151
Notes receivable - Net of allowance of approximately \$948,000 and \$949,000 at June 30, 2011 and 2010, respectively (Note 3)	-	-
Inventory	352,164	467,719
Prepaid assets	32,830	47,615
Total current assets	<u>21,794,333</u>	<u>21,994,662</u>
Noncurrent Assets		
Deposits	-	36,592
Restricted cash and cash equivalents (Note 2)	1,221,370	1,221,862
Capital assets - Net (Note 4)	75,981,896	73,025,935
Total noncurrent assets	<u>77,203,266</u>	<u>74,284,389</u>
Total assets	<u>\$ 98,997,599</u>	<u>\$ 96,279,051</u>
Liabilities and Net Assets		
Current Liabilities		
Deposits	\$ 285,081	\$ 246,041
Accounts payable	783,461	1,359,442
Accrued salaries, wages, and benefits	3,525,526	3,997,426
Deferred student fee revenue	5,430,788	5,070,352
Current portion of long-term debt (Note 6)	109,935	104,129
Other liabilities	482,346	481,405
Other deferred revenue	2,918,222	4,131,467
Total current liabilities	<u>13,535,359</u>	<u>15,390,262</u>
Noncurrent Liabilities		
Long-term debt - Net of current portion (Note 6)	1,403,823	1,513,758
Long-term liabilities - Net of current portion (Note 5)	1,666,879	2,119,952
Total noncurrent liabilities	<u>3,070,702</u>	<u>3,633,710</u>
Total liabilities	16,606,061	19,023,972
Net Assets		
Invested in capital assets - Net of related debt	74,468,139	71,408,048
Restricted for expendable - Grants	68,669	1,216,670
Unrestricted	7,854,730	4,630,361
Total net assets	<u>82,391,538</u>	<u>77,255,079</u>
Total liabilities and net assets	<u>\$ 98,997,599</u>	<u>\$ 96,279,051</u>

Central State University

Statement of Revenue, Expenses, and Changes in Net Assets University

	Year Ended	
	June 30, 2011	June 30, 2010
Operating Revenue		
Tuition and fees	\$ 14,843,871	\$ 14,534,745
Less grants and scholarships	(5,492,138)	(5,120,561)
Federal grants and contracts	9,164,972	8,055,524
State, local, and private grants and contracts	996,239	1,453,982
Indirect cost recovery	596,451	610,720
Auxiliary activities	15,906,768	15,743,436
Less grants and scholarships	(5,558,618)	(5,351,188)
Other sources	2,686,459	1,618,706
Total operating revenue	33,144,004	31,545,364
Operating Expenses		
Instruction	12,271,769	12,380,310
Research	1,629,008	1,765,391
Student services	3,458,855	4,285,983
Academic support	6,347,872	6,564,760
Public services	1,941,744	1,928,342
Institutional administration	6,665,132	10,005,474
Operation and maintenance of plant	6,723,332	6,078,724
Auxiliary enterprises	12,354,015	12,654,735
Student aid	5,187,965	4,433,852
Depreciation	3,394,205	3,369,447
Total operating expenses	59,973,897	63,467,018
Operating Loss	(26,829,893)	(31,921,654)
Nonoperating Revenue (Expenses)		
Federal Pell Grant appropriations	9,766,370	9,381,378
Federal fiscal stabilization funds	941,536	939,915
State appropriations	17,705,124	19,592,167
Investment income	13,368	37,159
Interest expenses on capital asset - Related debt	(86,617)	(92,703)
Loss on disposal of capital assets	(308,550)	-
Net nonoperating revenue	28,031,231	29,857,916
Income (Loss) - Before other revenue	1,201,338	(2,063,738)
Other Revenue - State capital appropriations/Capital gifts	3,935,121	2,893,224
Increase in Net Assets	5,136,459	829,486
Net Assets - Beginning of year	77,255,079	76,425,593
Net Assets - End of year	\$ 82,391,538	\$ 77,255,079

Central State University

Statement of Cash Flows University

	Year Ended	
	June 30, 2011	June 30, 2010
Cash Flows from Operating Activities		
Tuition and fees	\$ 15,200,204	\$ 12,438,896
Grants and contracts	9,544,417	13,391,714
Payments to suppliers and employees	(56,698,800)	(57,645,422)
Auxiliary enterprise charges	3,642,039	3,088,701
Other	2,686,459	1,618,709
Net cash used in operating activities	(25,625,681)	(27,107,402)
Cash Flows from Noncapital Financing Activities		
Federal Pell grant	9,766,370	9,381,378
Federal fiscal stabilization funds	941,536	939,915
State appropriations	17,705,124	19,592,167
Federal loan receipts	20,873,599	20,578,079
Federal loan disbursements	(20,873,599)	(20,578,079)
Net cash provided by noncapital financing activities	28,413,030	29,913,460
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts received	3,935,121	2,893,224
Purchase of capital assets and construction	(6,658,716)	(5,012,314)
Principal paid on capital debt	(104,129)	(125,400)
Interest paid on capital debt	(86,617)	(92,703)
Net cash used in capital and related financing activities	(2,914,341)	(2,337,193)
Cash Flows from Investing Activities - Interest on investments	13,368	37,159
Net Change in Cash and Cash Equivalents	(113,624)	506,024
Cash and Cash Equivalents - Beginning of year	10,813,039	10,307,015
Cash and Cash Equivalents - End of year	<u>\$ 10,699,415</u>	<u>\$ 10,813,039</u>

Central State University

Statement of Cash Flows (Continued) University

	Year Ended	
	June 30, 2011	June 30, 2010
Reconciliation of net operating loss to net cash from operating activities:		
Operating loss	\$ (26,829,893)	\$ (31,921,654)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,394,205	3,369,447
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(43,143)	(2,657,721)
Inventories, prepaids, and other assets	166,932	(471,252)
Accounts payable	(575,981)	509,047
Accrued salaries, wages, and benefits	(471,900)	(159,468)
Other liabilities	(452,132)	390,838
Deferred revenue and student deposits	<u>(813,769)</u>	<u>3,833,361</u>
Net cash used in operating activities	<u>\$ (25,625,681)</u>	<u>\$ (27,107,402)</u>

Central State University

Consolidated Statement of Financial Position Discretely Presented Component Unit - Foundation

	June 30, 2011	June 30, 2010
Assets		
Cash and cash equivalents	\$ 2,231,245	\$ 1,965,207
Investments	2,995,131	2,597,447
Contributions receivable - Net	87,213	8,183
Due from Central State University	83,139	180,650
Other receivables	14,727	-
Prepaid expenses	5,667	5,668
Total current assets	5,417,122	4,757,155
Restricted cash and cash equivalents (Note 2)	3,264,574	3,128,331
Fixed assets - Net (Note 4)	12,912,886	13,122,154
Financing costs - Net	1,527,011	1,626,818
Total assets	<u>\$ 23,121,593</u>	<u>\$ 22,634,458</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 267,460	\$ 256,928
Surplus payable	988,427	176,901
Accrued interest payable	481,589	489,856
Current portion of long-term debt (Note 6)	440,000	425,000
Total current liabilities	2,177,476	1,348,685
Long-term debt - Net of current portion (Note 6)	18,091,088	18,502,312
Total liabilities	20,268,564	19,850,997
Net Assets		
Unrestricted	(1,491,436)	(1,170,970)
Temporarily restricted	2,198,036	1,825,666
Permanently restricted	2,146,429	2,128,765
Total net assets	2,853,029	2,783,461
Total liabilities and net assets	<u>\$ 23,121,593</u>	<u>\$ 22,634,458</u>

Central State University

Consolidated Statement of Activities and Changes in Net Assets Discretely Presented Component Unit - Foundation

	Year Ended	
	June 30, 2011	June 30, 2010
Revenue		
Rental revenue	\$ 2,808,960	\$ 2,823,252
Contributions	692,318	850,953
Reimbursements	-	13,865
Other	624,205	502,700
Unrealized gain (loss) on investments	237,755	(45,240)
Investment income	439,397	22,757
Total revenue	4,802,635	4,168,287
Expenses		
Programs:		
Scholarship programs	316,304	287,845
Athletic programs	353,546	150,223
Academic programs	205,096	178,303
Institutional programs	331,122	451,655
Student support programs	20,941	-
Support activities:		
Management fees	196,627	197,628
Operating expenses	788,843	896,837
Surplus expense	988,427	176,901
Depreciation expense	504,511	605,100
Interest expense	991,954	1,010,396
Other	35,696	275,719
Total expenses	4,733,067	4,230,607
Increase (Decrease) in Net Assets	69,568	(62,320)
Net Assets - Beginning of year	2,783,461	2,845,781
Net Assets - End of year	<u>\$ 2,853,029</u>	<u>\$ 2,783,461</u>

Note 1 - Basis of Presentation and Significant Accounting Policies

Central State University (the “University”) is a co-educational, degree-granting university located in Wilberforce, Ohio. The University was originally established in 1887 by the General Assembly of the State of Ohio and is considered a component unit of the State of Ohio. The University continued to expand degree programs, which resulted in a granting of university status in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code and is a component unit of the State of Ohio as a state university. The University is governed by a board of trustees appointed by the governor with the advice and consent of the State Senate. The University offers undergraduate degrees in arts and science, business, teacher education, and technology. The University also has a branch facility, CSU-Dayton, located in Dayton, Ohio.

Central State University Foundation (the “Foundation”) is being discretely presented as part of the University reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the University. This was done for the first time on June 30, 2004 in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the State of Ohio auditor’s website. The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the University’s financial report to account for these differences.

The Foundation is an Ohio nonprofit corporation and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive contributions, which are to be used to support the educational undertakings of Central State University. The Foundation established and owns Marauder Development, LLC, (Marauder), an Ohio limited liability corporation, that was formed to develop property for the use of Central State University. The financial operations of Marauder, which maintains a fiscal year end of August 31, have been consolidated within these financial statements. The Foundation also established Marauder West, LLC, an Ohio limited liability corporation, which was formed to purchase property in Dayton for the location of CSU – Dayton’s campus. Central State University Foundation and its wholly owned subsidiaries, Marauder and Marauder West, LLC, have been consolidated within these financial statements. All significant intercompany accounts and transactions have been eliminated. The Foundation operates exclusively for the benefit of the University. The University provides certain administrative and payroll services for the Foundation.

Effective with the 2011 fiscal period, the University has started performing accounting services for the Foundation. The cash receipts for the Foundation are deposited directly to the Foundation’s bank account; however, disbursements are made by the University on behalf of the Foundation with a monthly cash settlement process.

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Financial Statement Presentation

The accompanying financial statements have been prepared using the total economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The University, follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the University's financial statements:

- Management's discussion and analysis
- Basic financial statements, including a statement of net assets, statement of revenue, expenses, and changes in net assets, and a statement of cash flows for the University as a whole
- Notes to the financial statements

GASB Statement No. 34 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in Capital Assets - Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Assets - Nonexpendable** - Net assets which represent endowment contributions from donors that are permanently restricted as to principal. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Restricted Net Assets - Expendable** - Net assets whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

- **Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the board of trustees (the "board") or may otherwise be limited by contractual agreements with outside parties.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The University has elected not to follow private sector standards issued after November 30, 1989.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the University's policy is to first apply restricted resources.

Cash and Cash Equivalents - Cash and cash equivalents include cash and money market funds, stated at cost (which approximates market).

Allowance for Student Accounts Receivable - Effective June 30, 2005, the University has changed its method of allowing for student accounts receivable from a subsequent cash receipts method to a more systematic method based on applying percentages to the student accounts receivable aging.

Inventory - During the year ended June 30, 2010, the University took over operations of the University bookstore, including all inventories. Inventory is recorded using the first-in first-out (FIFO) method and is stated at the lower of cost or market.

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. The University capitalizes all assets with a useful life greater than one year and a value in excess of \$5,000. When capital assets are disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated lives:

Buildings	40 years
Building improvements	20 years
Automobiles, machinery, and equipment	3-15 years

Deferred Student Fee Income - Deferred student fee income consists of the unearned portion of student tuition and fees for the summer sessions and prepaid tuition and fees for the upcoming fall semester. The amounts which are deferred are recognized as revenue in the following fiscal year.

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Operating Versus Nonoperating Revenue and Expenses - The University defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services. All of the University's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenue as required by GASB Statement No. 35, including state appropriations, investment income, and state capital grants. Federal Pell grant revenue is included in nonoperating revenue in accordance with GASB Statement No. 34.

Grants and Scholarships - Student tuition and fees and auxiliary revenue are presented net of grants and scholarships applied directly to students' accounts. Grants and scholarships consist primarily of awards to students from the Federal Supplemental Educational Opportunity Grant Program and the Ohio Instructional Grant Program. Payments made directly to students from grants and scholarships are presented as student aid.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the footnotes. Actual results could differ from those estimates.

Income Taxes - The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The University would be subject to taxes on unrelated business income; however, any taxable income would be minimal.

Risk Management - The University is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors or omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the preceding three years. The University is self-insured for student health insurance claims; the recorded liability for these claims is \$25,000 and \$69,000 as of June 30, 2011 and 2010, respectively.

Upcoming Accounting Standards - In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses issues related to service concession arrangements which are a type of public-private or public-public partnership.

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

In November 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statements 60, 62, and 63 are effective for financial statements for periods beginning after December 15, 2011.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012.

University management has not yet determined the impact that implementation of these GASB Statements will have on the University's financial statements.

Note 2 - Cash and Cash Equivalents and Investments

In accordance with the State of Ohio's and the University's policy, the University is authorized to invest in obligations of the U.S. Treasury, agencies and instrumentalities, municipal and state bonds, certificates of deposit collateralized at market value, repurchase agreements, reverse repurchase agreements, and forward commitments. Statutes also authorize the University to invest endowment funds in the above investments, as well as commercial paper rated A-1 by Standard & Poor's bonds, common and preferred stock, mutual funds, and real estate upon specific authorization by the board of trustees.

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University did not have any uninsured or uncollateralized cash and cash equivalents at June 30, 2011 or 2010.

Credit Risk

As discussed above, state law limits investments to U.S., state, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had \$4,710,737 and \$1,221,862 invested in bank mutual fund pools at June 30, 2011 and 2010, respectively; these funds are not rated by a national rating agency, due to the short-term nature of their holdings.

Restricted Cash and Cash Equivalents

The University's restricted cash and cash equivalents consist of money market accounts restricted for debt reserve payments.

The Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2011 and 2010:

	2011	2010
Restricted:		
Debt interest account	\$ 481,589	\$ 489,857
Debt principal account	445,000	425,000
Repair and replacement fund	906,865	782,160
Debt reserve fund	<u>1,431,120</u>	<u>1,431,314</u>
Total restricted cash	<u>\$ 3,264,574</u>	<u>\$ 3,128,331</u>

Foundation investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds. Investments consist of fixed-income and equity mutual funds and government and corporate bonds as of June 30, 2011 and money market funds as of June 30, 2010.

Central State University

Notes to Financial Statements June 30, 2011 and 2010

Note 3 - Receivables

At June 30, 2011 and 2010, receivables consist of the following:

	2011	2010
Student accounts receivable	\$ 16,019,165	\$ 17,846,905
Student notes receivable	947,982	948,610
Grant and contract receivables	2,723,115	1,977,504
Other	1,349,649	1,642,258
Total	21,039,911	22,415,277
Less allowance for doubtful accounts	(9,108,617)	(10,527,126)
Net receivables	<u>\$ 11,931,294</u>	<u>\$ 11,888,151</u>

Student notes receivable represent outstanding loans from the Federal Perkins Loan Program. These loans have been assigned to the Department of Education and are no longer administered by the University. The outstanding balance at June 30, 2011 and 2010 has been reserved in full and is included in the allowance for doubtful accounts.

Note 4 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2011 and 2010 is summarized as follows:

	2011				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Depreciable assets:					
Buildings and improvements	\$ 123,157,606	\$ 1,447,333	\$ (4,046,037)	\$ -	\$ 120,558,902
Automobiles, machinery, and equipment	17,209,098	1,363,409	-	-	18,572,507
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	2,930,302	3,847,974	-	-	6,778,276
Total capital assets	143,605,656	<u>\$ 6,658,716</u>	<u>\$ (4,046,037)</u>	-	146,218,335
Less accumulated depreciation:					
Buildings and improvements	57,226,316	2,551,516	(3,737,487)	-	56,040,345
Automobiles, machinery, and equipment	13,353,405	842,689	-	-	14,196,094
Total accumulated depreciation	70,579,721	<u>\$ 3,394,205</u>	<u>\$ (3,737,487)</u>	<u>\$ -</u>	70,236,439
Capital assets - Net	<u>\$ 73,025,935</u>				<u>\$ 75,981,896</u>

Central State University

Notes to Financial Statements June 30, 2011 and 2010

Note 4 - Capital Assets (Continued)

	2010				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Depreciable assets:					
Buildings and improvements	\$ 112,819,504	\$ 2,301,652	\$ -	\$ 8,036,450	\$ 123,157,606
Automobiles, machinery, and equipment	16,246,383	973,551	(10,836)	-	17,209,098
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	9,229,641	1,737,111	-	(8,036,450)	2,930,302
Total capital assets	138,604,178	<u>\$ 5,012,314</u>	<u>\$ (10,836)</u>	-	143,605,656
Less accumulated depreciation:					
Buildings and improvements	54,682,123	2,544,193	-	-	57,226,316
Automobiles, machinery, and equipment	12,538,987	825,254	(10,836)	-	13,353,405
Total accumulated depreciation	<u>67,221,110</u>	<u>\$ 3,369,447</u>	<u>\$ (10,836)</u>	<u>\$ -</u>	<u>70,579,721</u>
Capital assets - Net	<u>\$ 71,383,068</u>				<u>\$ 73,025,935</u>

Commitments for construction contracts at June 30, 2011 were approximately \$1.4 million. Since this work has not yet been performed, no liability has been recorded at year end.

Capital assets activity for the Foundation for the years ended June 30, 2011 and 2010 is summarized as follows:

	2011	2010
Land	\$ 140,800	\$ 140,800
Building	15,787,487	15,592,051
Furniture	896,603	896,603
Total fixed assets	16,824,890	16,629,454
Less accumulated depreciation	<u>(3,912,004)</u>	<u>(3,507,300)</u>
Net	<u>\$ 12,912,886</u>	<u>\$ 13,122,154</u>

Central State University

Notes to Financial Statements June 30, 2011 and 2010

Note 5 - Long-term Liabilities

Long-term liability (other than long-term debt) activity for the years ended June 30, 2011 and 2010 is summarized as follows:

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,957,448	\$ 742,708	\$ 753,409	\$ 1,946,747	\$ 1,040,024
Other liabilities	1,194,494	174,458	608,796	760,156	-
Total	\$ 3,151,942	\$ 917,166	\$ 1,362,205	\$ 2,706,903	\$ 1,040,024

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,958,903	\$ 487,846	\$ 489,301	\$ 1,957,448	\$ 1,031,990
Other liabilities	662,178	1,132,154	599,838	1,194,494	-
Total	\$ 2,621,081	\$ 1,620,000	\$ 1,089,139	\$ 3,151,942	\$ 1,031,990

The current portion of long-term liabilities is included in accrued salaries, wages, and benefits. See Note 7 for description of compensated absences.

Note 6 - Long-term Debt

University

Long-term debt for the University consists of the following for the years ended June 30, 2011 and 2010:

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	\$ 1,617,887	\$ -	\$ 104,129	\$ 1,513,758	\$ 109,935

Central State University

Notes to Financial Statements June 30, 2011 and 2010

Note 6 - Long-term Debt (Continued)

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable:					
Note payable to Department of Housing and Urban Development, 3.0%, payable in varying installments through June 12, 2010	\$ 26,770	\$ -	\$ 26,770	\$ -	\$ -
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	<u>1,716,517</u>	<u>-</u>	<u>98,630</u>	<u>1,617,887</u>	<u>104,129</u>
Total	<u>\$ 1,743,287</u>	<u>\$ -</u>	<u>\$ 125,400</u>	<u>\$ 1,617,887</u>	<u>\$ 104,129</u>

At June 30, 2011, maturities of long-term debt, including interest payments, are as follows:

Year	Principal	Interest	Total
2012	\$ 109,935	\$ 81,766	\$ 191,701
2013	116,065	75,636	191,701
2014	122,536	69,165	191,701
2015	129,368	62,333	191,701
2016	136,581	55,120	191,701
2017-2021	805,989	152,519	958,508
2022	<u>93,284</u>	<u>2,565</u>	<u>95,849</u>
Total	<u>\$ 1,513,758</u>	<u>\$ 499,104</u>	<u>\$ 2,012,862</u>

Revenue from student housing and dining facilities is pledged for the redemption of the notes.

The University is required to maintain a debt service payment account and a debt service reserve account under the Department of Education note. The debt service account has been paid in full as of June 30, 2008 and the reserve is no longer required. The University is also required to deposit \$28,010 annually into a repair and replacement reserve account until \$280,100 has been accumulated in that account (\$280,100 accumulated at June 30, 2011).

Central State University

Notes to Financial Statements June 30, 2011 and 2010

Note 6 - Long-term Debt (Continued)

Central State University Foundation

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2011 and 2010:

	Interest Rate	Maturity	Balance September 1, 2010	Additions	Payments	Balance August 31, 2011
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,127,582	\$ 12,816	(\$ 235,000)	\$ 10,905,398
Revenue Bonds Series 2002	3.0%-5.625%	2032	<u>7,799,730</u>	<u>15,960</u>	<u>(190,000)</u>	<u>7,625,690</u>
Total			<u>\$ 18,927,312</u>	<u>\$ 28,776</u>	<u>(\$ 425,000)</u>	<u>18,531,088</u>
Less current portion						<u>440,000</u>
Long-term portion						<u>\$ 18,091,088</u>

	Interest Rate	Maturity	Balance September 1, 2009	Additions	Payments	Balance August 31, 2010
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,339,574	\$ 13,008	\$ 225,000	\$ 11,127,582
Revenue Bonds Series 2002	3.0%-5.625%	2032	<u>7,962,054</u>	<u>17,676</u>	<u>180,000</u>	<u>7,799,730</u>
Total			<u>\$ 19,301,628</u>	<u>\$ 30,684</u>	<u>\$ 405,000</u>	<u>18,927,312</u>
Less current portion						<u>425,000</u>
Long-term portion						<u>\$ 18,502,312</u>

Note 6 - Long-term Debt (Continued)

Principal and interest payments on long-term debt are as follows:

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2012	\$ 195,000	\$ 411,122	\$ 245,000	\$ 543,014	\$ 1,394,136
2013	205,000	402,121	250,000	533,359	1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016	235,000	371,056	285,000	498,995	1,390,051
2017-2021	1,365,000	1,657,288	1,635,000	2,276,724	6,934,012
2022-2026	1,795,000	1,236,259	2,075,000	1,819,273	6,925,532
2027-2031	2,335,000	668,990	2,660,000	1,222,215	6,886,205
2032-2036	1,165,000	67,640	3,410,000	451,860	5,094,500
Total	<u>\$ 7,735,000</u>	<u>\$ 5,589,315</u>	<u>\$ 11,095,000</u>	<u>\$ 8,379,762</u>	<u>\$ 32,799,077</u>

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was \$109,310 and \$125,270 at June 30, 2011 and 2010, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$195,000 on September 1, 2011 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash is held as required by the bond agreement.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled \$287,699, with an amortized balance of \$189,602 and \$202,418 at June 30, 2011 and 2010, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$245,000 on September 1, 2011 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash is held as required by the bond agreement.

Note 6 - Long-term Debt (Continued)

Bond legislation provides that Marauder Development, LLC will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

The coverage ratio computed under the bond legislation is as follows:

	2011	2010
Change in member's capital	\$ (709,882)	\$ 15,037
Add items to convert net income to pledged revenue:		
Interest expense on bonds	991,954	1,010,396
Management fees	196,627	197,628
Surplus expense	1,098,252	176,901
Depreciation and amortization expense	<u>504,075</u>	<u>605,100</u>
Net pledged revenue as defined (1)	<u>\$ 2,081,026</u>	<u>\$ 2,005,062</u>
Debt service requirement on bonds (2)	\$ 1,396,445	\$ 1,392,025
Coverage ratio (1/2)	149%	144%
Required coverage ratio	120%	120%

Note 7 - Compensated Absences for Vacation and Sick Leave

The University has three classifications of employees: classified, contract, and faculty.

Classified employees are nonacademic, permanent, full-time employees. Classified employees are entitled to vacation leave based upon length of service. The employees may accumulate up to a maximum of 30 to 75 days of vacation leave, depending on number of years of service. Vacation leave becomes payable upon termination or retirement. Employees may accumulate an unlimited amount of sick leave. One-third of accumulated sick leave is payable to classified employees with 10 years or more of service upon termination or retirement.

Contract employees are nonacademic, contracted, full-time employees. Contract employees are entitled to vacation leave based upon length of service and/or classification. The employee may accumulate up to a maximum of 30 days of vacation leave. Vacation leave not to exceed 240 hours becomes payable upon termination or retirement. Contract employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to contract employees with 10 years or more of service upon retirement.

Note 7 - Compensated Absences for Vacation and Sick Leave (Continued)

Faculty employees are full-time, academic employees. Faculty employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to faculty employees with 10 years or more of service upon retirement.

Vested or accumulated leave is recorded as an expenditure and liability of the current funds as the benefits accrue to employees.

Note 8 - Retirement Plans

Retirement benefits are available for substantially all employees under one of several contributory retirement plans. Certified teachers are covered by the State Teachers Retirement System (STRS). Non-certified employees are covered by the Ohio Public Employees Retirement System (OPERS). Both STRS and OPERS are statewide systems that offer three separate plans: (1) a defined benefit plan, (2) a defined contribution plan, and (3) a combined plan. Each of the three options is discussed in greater detail in the following sections.

Defined Benefit Plans

The OPERS and STRS plans are cost-sharing, multiple-employer, defined-benefit, public-employee retirement systems. Each provides retirement, disability, and survivor benefits to plan members and beneficiaries. These plans also provide healthcare benefits to vested retirees. Benefits provided under the plans are established by state statute.

Both plans issue separate, publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by contacting each system as follows: Public Employee Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, Telephone (800) 222-7377; State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, Telephone (888) 227-7877.

Note 8 - Retirement Plans (Continued)

The Ohio revised Code provides OPERS and STRS statutory authority, respectively, over employer and employee contributions. The required actuarially determined contribution rates (as a percentage of covered payroll) for the employee and the University are as follows for the year ending June 30, 2011:

	OPERS Classified, Contract Employee	OPERS Law Enforcement Employee	STRS Faculty
Employee Share			
Entire year	10.00%		10.00%
July 2010 to December, 2010		11.10%	
January 2011 to June 2011		11.60%	
Employer Share			
Entire year	14.00%		14.00%
July 2010 to December 2010		17.87%	
January 2011 to June 2011		18.10%	

The portion of the University's contribution in the previous table applied toward healthcare funding is 5 percent for OPERS and 1 percent for STRS.

The University's contributions, representing 100 percent of the employer contributions for the year ended June 30, 2011 and for each of the two preceding years are as follows:

Year	OPERS	STRS
2011	\$ 1,492,864	\$ 1,003,964
2010	1,449,991	986,839
2009	1,326,232	937,892

Note 8 - Retirement Plans (Continued)

OPERS and STRS provide postretirement and postemployment healthcare benefits in addition to the retirement benefits described above. OPERS Other Postemployment Benefits (OPEB) is advance funded on an actuarially determined basis. The assumptions and calculation below were based on the system's latest actuarial review performed as of December 31, 2009. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. At December 31, 2009, the actuarial funding value of the retirement system's net assets available for OPEB was \$10.9 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.5 billion and \$20.6 billion, respectively. There are 365,229 active contribution participants as of December 31, 2009. Of the \$1,492,864 University employer contributions to OPERS for 2011, \$518,024 was to fund OPEB.

STRS has discretionary authority, pursuant to the Ohio Revised Code, over how much, if any, of the healthcare costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the healthcare cost in the form of a monthly premium. The balance in the Health Care Stabilization Fund was \$2.8 billion at June 20, 2010 (the latest information available). For the year ended June 30, 2010, the net healthcare costs paid by STRS were \$228,500,000. There were \$133,103 eligible benefit recipients.

Defined Contribution Plans

On June 23, 1998, pursuant to Ohio House Bill 586, the University created an Ohio Alternative Retirement Plan (ARP), which is designed to aid the University in recruiting and retaining employees by offering a portable retirement option. The ARP is a defined-contribution plan that provides full and immediate vesting of all contributions made on behalf of the participant. Contributions are directed to one of eight investment management companies, which allows the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 120 days from the date of hire to elect the ARP option. Once this window has passed, the employee will not have the option to elect into the ARP.

At June 30, 2011, there were 88 members of the plan. During 2011, 2010, and 2009, the employer contributions were \$749,761, \$807,334, and \$705,521, respectively. The employer contribution rate for participants (other than law enforcement) electing out of OPERS and STRS was 14 percent for 2011. For law enforcement staff, the employer contribution was 17.87 percent for the period from July 2010 to December 2010 and 18.10 percent for the period from January 2011 to June 2011.

Note 8 - Retirement Plans (Continued)

Combined Plans

STRS offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan received postretirement healthcare benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan received postretirement healthcare benefits. OPERS provides retirement, disability, survivor, and postretirement health benefits to qualifying members of the combined plan.

Note 9 - Grants and Contracts

The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to their grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the University administration that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

Note 10 - Commitments and Contingencies

Commitments - The University has encumbered \$725,145 and \$780,804 of funds as of June 30, 2011 and 2010, respectively. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year end. These are not included as liabilities in the statement of net assets.

Litigations - The University is involved in various litigation and regulatory matters. Based upon management's review, the ultimate disposition of these matters may have an unfavorable outcome; therefore, appropriate financial reserves have been made to the financial statements relative to these matters. The University's administration believes that the ultimate disposition of these matters have been properly reflected in the financial statements of the University.

Note 11 - Related Organization

The University is the sole beneficiary of the Central State University Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational and research activities. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to \$85,027 and \$427,898 for the years ended June 30, 2011 and 2010, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University's campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to \$985,470 and \$1,094,465 for the years ended June 30, 2011 and 2010, respectively. The University paid Marauder Development, LLC \$2,808,960 and \$2,823,252 for the years ended June 30, 2011 and 2010, respectively. These payments were primarily student residence hall fees.

Note 12 - Bureau of Workers' Compensation

The University participates in a state plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation (the "Bureau") calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods for the entire pool of state agencies and state universities. Settled claims have not exceeded this coverage for any of the preceding three years.

Supplemental Information

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Central State University

We have audited the financial statements of the business-type activities and discretely presented component unit of Central State University (the "University") as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
Central State University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we have reported to management of Central State University in a separate letter dated October 14, 2011.

This report is intended solely for the information and use of management, the board of trustees, others within the University, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 14, 2011

Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133

To the Board of Trustees
Central State University

Compliance

We have audited the compliance of Central State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of Central State University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Central State University's management. Our responsibility is to express an opinion on Central State University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central State University's compliance with those requirements.

In our opinion, Central State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2011-01.

To the Board of Trustees
Central State University

Internal Control Over Compliance

The management of Central State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Central State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2011-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2011-02 to be a significant deficiency.

Central State University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Central State University's response and, accordingly, we express no opinion on the responses.

To the Board of Trustees
Central State University

This report is intended solely for the information and use of management, the board of trustees, others within the University, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

October 14, 2011

Central State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters:		
Student Financial Aid Cluster - U.S. Department of Education -		
Direct Programs:		
Federal SEOG FY 2010	84.007	\$ 34,497
Federal SEOG FY 2011	84.007	600,751
Federal Pell Grant FY 2010	84.063	33,048
Federal Pell Grant FY 2011	84.063	9,761,687
ARRA Federal Work Study FY 2010	84.033	20,012
Federal Work Study FY 2011	84.033	604,336
Direct Loan Subsidized FY 2011	84.268	8,165,733
Direct Loan Unsubsidized FY 2011	84.268	9,498,968
Direct Loan Plus FY 2011	84.268	2,994,078
Direct Loan Summer Plus FY 2011	84.268	174,209
Direct Loan Subsidized FY 2010	84.268	13,878
Direct Loan Unsubsidized FY 2010	84.268	20,593
Perkins Loan outstanding	84.038	947,982
ACG Grant FY 2010	84.375	(563)
ACG Grant FY 2011	84.375	128,035
Smart Grant Year I	84.376	4,000
TEACH Grant FY 2011	84.379	14,825
Total Student Financial Aid Cluster		33,016,069
Research and Development Cluster - National Aeronautics and		
Space Administration - Direct Programs:		
Ohio Space Grant	43.001	27,785
Center for Allaying Health Disparities Through Research and Ed.	93.307	950,180
Total Research and Development Cluster		977,965
TRIO Cluster - U.S. Department of Education - Direct Programs:		
TRIO - Student Support Services	84.042A	376,070
TRIO - Upward Bound Program	84.047	239,591
Total TRIO Cluster		615,661
State Fiscal Stabilization Fund Cluster - U.S. Department of Education -		
Passed Through Programs:		
ARRA - SFSF - Education	84.394	820,492
ARRA - SFSF - Government Services	84.397	121,044
Total State Fiscal Stabilization Fund Cluster		941,536
Head Start Cluster - U.S. Department of Health and Human Services -		
Head Start Teacher Preparation	93.600	5,186

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal programs:		
U.S. Department of Education Direct Programs -		
Higher Education - Institutional Aid - Direct Program:		
Library Acquisition Enhancement	84.031B	\$ 154,718
Program Administration	84.031B	244,845
SAEM	84.031B	157,459
Strengthening Academic Success through Counseling Services	84.031B	247,445
K-16 Higher Education Access	84.031B	116,773
CCRA - Library Enhancement	84.031B	170
CCRA - Dayton Campus	84.031B	4,244
CCRA - Digital Divide	84.031B	259,492
CCRA CSU Dayton Enhancement	84.031B	402,216
CCRA Library Resource Enhancement	84.031B	48,048
SAFRA 10-11 Center for Global Education	84.031B	36,753
SAFRA 10-11 Enhance Online Learning	84.031B	60,474
SAFRA 10-11 Theatre Arts	84.031B	159,516
SAFRA 10-11 University College Learning Center	84.031B	19,426
SAFRA 10-11 Academic Planning and Assessment	84.031B	2,551
CCRA CSU Dayton Campus Academic Coordinator	84.031B	22,901
Strengthening Institutional Management COY 2007/08	84.031B	3,598
Center for Academic Success	84.031B	385,488
Effective Management Administrators	84.031B	90,357
Enhancing Institutional Advancement	84.031B	305,843
Pre Law Program	84.031B	168,609
Spanning the Digital Phone	84.031B	153,479
eLearning II	84.031B	51,251
Data Center Improvements	84.031B	89,484
VOIP	84.031B	10,501
Total U.S. Department of Education Direct Programs		3,195,641
Minority Science Improvement Grants - Direct Programs:		
BISCA	84.120	3,576
ExCEL	84.120	103,038
Total Minority Science Improvement Grant		106,614
U.S. Department of Health and Human Services -		
Direct - KRUNKED 4 Life	93.910	171,308
U.S. Department of Transportation - Passed Through Programs:		
Summer Transportation Program	20.000	27,937
Summer Transportation Program	20.000	29,424
Akron University Transportation Center	20.701	3,375
Total U.S. Department of Transportation		60,736

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Defense:		
Direct: Identifying Max. Rhizosphere Biom.	12.431	\$ 22,056
Passed Through Programs:		
Sensors Research Year 2	12.000	18,622
SensorPlex	FA8650-09-D-6939	1,180
Sensors Research 2011	12.000	13,247
Materials and Manufacturing Research	12.000	5,308
Total U.S. Department of Defense		60,413
National Science Foundation - Education and Human Resources:		
Direct Programs:		
CSU JUMP	47.076	1,822
Benjamin Banneker's Scholarship Program	47.076	123,794
CEENE	47.076	4,714
Passed Through Programs:		
REEL Program	47.049	88
ADVANCE	47.076	63,595
Promoting STEM Women through LEADER	47.076	5,976
ADVANCE - Study of Applications of Groebner Basis Theory	47.076	2,190
Senegal Biology Research Project	47.079	26,773
Advanced Energy Workforce	47.041	28,072
Total National Science Foundation		257,024
U.S. Department of Energy - Direct Programs:		
National Renewable Energy Laboratory	81.087	2,428
STEM UP - OUT	81.123	1,158,744
Total U.S. Department of Energy		1,161,172
U.S. Department of Interior - Direct Programs:		
Applications of Remote Sensing Technology (USBR)	15.504	189,076
Historic Preservation Grants	15.904	63,206
ARRA Emery Hall	15.932	391,361
Total U.S. Department of Interior		643,643
U.S. Department of Agriculture - Passed Through Programs:		
Monitoring Agricultural Sewage	11.460	2,058
Ohio Scholarship Program	10.902	33,656
Development of Drought Triggers	10.310	15,375
Total U.S. Department of Agriculture		51,089

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce - Passed Through - Monitoring of Lake Erie	11.460	\$ 3,965
Passed Through - Environmental Protection Agency	66.511	<u>7,806</u>
Total expenditures of federal awards		<u>\$ 41,275,828</u>

Central State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central State University under programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Central State University, it is not intended to and does not present the financial position, changes in net assets or cash flows, if applicable, of Central State University. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Center for Allaying Health Disparities Through Research and Ed.	93.307	\$ 161,245
Curriculum Enhancements in Environmental Engineering (CEENE)	47.076	2,153
Science, Technology, Engineering and Mathematics Upgrade/Enhancement & Outreach (STEM UP- OUT)	81.123	38,868
Applications of Remote Sensing Technology (USBR)	15.504	34,958
	Total	<u>\$ 237,224</u>

Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers

All programs with identifiable CFDA numbers have been listed separately. Grant project numbers have been provided for several programs for which CFDA numbers were not available.

Central State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 4 - Adjustments and Transfers

During the year ended June 30, 2011, the University transferred \$110,003 of the 2010-2011 Federal Work Study (FWS) Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the University carried forward \$58,932 of the 2009-2010 FWS award to the 2010-2011 award year. The University also carried backward \$59,964 of the 2011-2012 FWS funds that were spent during the 2010-2011 award year.

The University expended \$33,494 of the 2010-2011 SEOG funds carried backward from the 2009-2010 award year.

Central State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379 84.394, 84.397	Student Financial Aid Cluster
84.042A, 84.047	ARRA - State Fiscal Stabilization Fund Cluster
15.932	TRIO Cluster
	ARRA - Department of Interior - Emery Hall

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Central State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-01	<p>Program Name - Student Financial Aid Cluster - CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Criteria - Special tests and provisions compliance requirement - Returns of Title IV funds are required to be deposited or transferred to the Department of Education accurately as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (34CFR Section 668.173(b)). The withdrawal date is the date that the student began the withdrawal process, provided official notification to the school in writing or orally, or ceases attendance (34 CFR Section 668.22(c) and (d)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the University's determination that the student withdrew, the difference must be returned to the Title IV programs. (34 CFR Sections 668.22(a)(1) through (a)(4))</p> <p>Condition - The University did not return Title IV refunds within the 45-day requirement and did not return the proper amount of Title IV refunds calculated. This finding was first reported in 2007.</p> <p>Questioned Costs - A total of \$18,695, comprised of \$15,161 refunds not returned timely and \$3,574 of refunds improperly returned. The population of Title IV returns tested totaled \$49,792, as compared to the University's total Title IV returns and loan adjustments of \$796,610.</p> <p>Context - Of the 60 students tested for return of Title IV funds, there were seven instances in which the refund was not returned within 45 days. There was one instance in which the refund was made timely but for an amount that differed from what was required.</p> <p>Cause and Effect - Return of Title IV refunds were not monitored adequately to ensure amounts were returned timely to the Department of Education nor to ensure the correct refund amount was returned.</p>

Central State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-01 (Continued)	<p>Recommendation - We recommend the student financial aid department implement a monitoring process and establish internal deadlines to ensure Title IV refunds are returned accurately and in a timely manner.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. The University will provide a process that ensures greater oversight of the R2T4 process in order that the funds are returned accurately and in a timely manner. The University will fill existing vacancies for the position of Assistant Director and Financial Aid Counselor in order to increase staff capacity and management's ability to more vigorously monitor the process and adhere to strict internal deadlines.</p>

Reference Number	Finding
2011-02	<p>Program Name - Student Financial Aid Cluster - Federal Direct Loans - CFDA No. 84.268</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Special Tests and provisions compliance requirement - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR Section 685.309).</p> <p>Condition - The University did not report status changes within the required timeframe. This finding was first reported in 2008.</p> <p>Questioned Costs - None</p> <p>Context - Of the 60 students tested for status change testing, four of those students did not have their status changes reported in a timely manner.</p> <p>Cause and Effect - The University transmits student enrollment data to the Federal Clearinghouse, but these students did not have status changes updated within the required timeframe.</p>

Central State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
	<p data-bbox="388 537 1425 682">Recommendation - The financial aid department, along with the registrar's office, should frequently monitor student status changes and enrollment information, and continue to upload enrollment reports on a monthly basis to ensure compliance with federal regulations.</p> <p data-bbox="388 709 1425 970">Views of Responsible Officials and Planned Corrective Actions - Upon consultation with the registrar, the University discovered that data indicator for students who were administratively terminated was faulty. Therefore, the Registrar consulted with Financial Aid and with Sungard, our CRM vendor, to revise the faulty indicator. The Registrar and Financial Aid Director will continue to report updates to the Clearinghouse on a monthly basis using the updated data indicator(s).</p>

Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2010-01	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038	Institution did not obtain acceptable documentation (i.e., tax returns) when verifying student financial information.	Corrective action has been taken.	Increase training for financial aid clerks. Added independent check by financial aid officers of all newly created student records.
2010-02	Student Financial Aid Cluster - Federal Family Education Loans - 84.032	FFEL were not returned to lender within the required 10 business days. In addition, funds returned were not reflected on the NSLDS in a timely manner.	Corrective action has been taken.	Staff changes and assessments; additional documentation and weekly reports to verify and crosscheck the changes in loans. New Direct Lending model and monthly reconciliation
2010-03	Student Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038	Title IV refunds were not returned within the required 45 days after a student withdrawal date.	Finding has not been corrected.	Calculations are reviewed by director or manager on a monthly basis; faculty to better track unofficial withdrawals; and query created to better identify withdrawals
2010-04	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038	Student withdrawal date was not determined within the required timeframe.	Corrective action has been taken.	Query created with the assistance of IT to obtain data and track unofficial withdrawals. Staff training on withdrawal and Title IV compliance. Faculty attendance tracking using Banner.
2010-05	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038	Withdrawal dates of the University and NSLDS did not match resulting in an incorrect amount of Title IV aid being returned.	Corrective action has been taken.	NSLDS submissions will be generated by one officer and reviewed by another for accuracy. Hiring vendor to add automated calculation to Banner.
2010-06	Student Financial Aid Cluster - 84.032, 84.038	Institution did not send student status change reports to the NSLDS within the proper timeframe required.	Finding has not been corrected.	An additional two submissions (totaling five) will be made to the National Student Clearinghouse, which is to catch status change updates within the required timeframe.

WCSU-FM
**(a public telecommunications entity
operated by Central State University)**

Financial Report
June 30, 2011

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Independent Auditor's Report

To the Board of Trustees
WCSU-FM

We have audited the accompanying statement of net assets of WCSU-FM, a public telecommunications entity operated by Central State University (the "University"), as of June 30, 2011 and 2010 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM as of June 30, 2011 and 2010 and the results of its activities, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2011 on our consideration of WCSU-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
WCSU-FM

The management's discussion and analysis presented on pages 3 through 6 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 14, 2011

Management's Discussion and Analysis - Unaudited

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU-FM (the "Station"), which is owned and operated by Central State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. These statements begin on page 7 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net assets - the difference between assets and liabilities - are one way to measure the financial activities of the Station. Unrestricted net assets increased by \$5,056 due to increased revenue over expenses incurred by the Station from 2010 to 2011 and decreased by \$6,329 due to an excess of expenses over revenue incurred by the Station from 2009 to 2010.

Net assets invested in capital assets increased by \$46,453 due to additions in fixed assets (one addition in 2011 which was an upgrade to the studio) from 2010 to 2011 and decreased by \$7,591 due to the ongoing depreciation of existing fixed assets from 2009 to 2010. Therefore, total net assets increased \$51,509 from 2010 to 2011 and decreased by \$13,920 from 2009 to 2010.

Total assets increased by \$23,550 in 2011 and increased by \$22,908 in 2010; the change in 2011 was related primarily to an increase in fixed assets offset by a decrease in the amount due from the University (pooled cash and investments). The increase in 2010 was related primarily to an increase in the amount due from the University (pooled cash and investments).

Total liabilities decreased by \$27,959 in 2011, which is attributed to a decrease in both deferred revenue and accounts payable. Total liabilities increased by \$36,828 in 2010, which was primarily attributable to an increase in deferred revenue, with a slight increase in accounts payable.

WCSU-FM**Management's Discussion and Analysis - Unaudited (Continued)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current Assets	\$ 159,212	\$ 182,115	\$ 151,616
Capital Assets - Net of depreciation	<u>74,854</u>	<u>28,401</u>	<u>35,992</u>
Total assets	<u>\$ 234,066</u>	<u>\$ 210,516</u>	<u>\$ 187,608</u>
Liabilities and Net Assets			
Current Liabilities	\$ 158,158	\$ 186,117	\$ 149,289
Net Assets			
Invested in capital assets	74,854	28,401	35,992
Unrestricted	<u>1,054</u>	<u>(4,002)</u>	<u>2,327</u>
Total net assets	<u>75,908</u>	<u>24,399</u>	<u>38,319</u>
Total liabilities and net assets	<u>\$ 234,066</u>	<u>\$ 210,516</u>	<u>\$ 187,608</u>

As described further in Note 2, current assets reflect mainly the amount due to the Station from the University's pooled cash and investment system. Current assets, including advances to the University, and current liabilities decreased during 2011 due to a decrease in cash and deferred revenue and increased during 2010 due to an increase in cash and deferred revenue. Further detail about the sources and uses of cash is reflected in the statement of cash flows.

Management's Discussion and Analysis - Unaudited (Continued)**Statement of Revenue, Expenses, and Changes in Net Assets**

The statement of revenue, expenses, and changes in net assets presents the operating results of the Station.

	2011	2010	2009
Operating Revenue			
Corporation for Public Broadcasting	\$ 160,004	\$ 101,675	\$ 146,231
State Network Commission and private grants	21,100	20,468	31,061
Contributed services	99,546	75,246	69,604
Nonoperating Revenue			
Miscellaneous	5,689	3,159	2,120
University support	396,925	462,016	452,325
Total revenue	683,264	662,564	701,341
Operating Expenses			
Programming and production	303,527	324,036	361,293
Program information and promotion	29,140	35,541	41,670
Management and general	299,088	316,907	320,637
Total operating expenses	631,755	676,484	723,600
Increase (Decrease) in Net Assets	51,509	(13,920)	(22,259)
Net Assets - Beginning of year	24,399	38,319	60,578
Net Assets - End of year	<u>\$ 75,908</u>	<u>\$ 24,399</u>	<u>\$ 38,319</u>

Operating revenue increased by \$83,261, or 42 percent, from 2010 to 2011; Corporation for Public Broadcasting (CPB) increased by \$58,329 (57 percent), State Network Commission and private grants revenue increased by \$632 (3 percent), and contributed services increased by \$24,300 (32 percent). The increase in CPB was driven through the current period decrease of deferred revenue. In-kind support from eTech Ohio also contributed to the increase.

Operating revenue decreased by \$49,507, or 20 percent, from 2009 to 2010; Corporation for Public Broadcasting decreased \$44,556 (30 percent), State Network Commission and private grants revenue decreased \$10,593 (34 percent), and contributed services increased \$5,642 (8 percent). The decrease is primarily driven by the reduction in support from the federal and state levels as budget constraints continue to increase due to economic conditions. Operating expenses decreased by \$47,116, or 6.5 percent, from 2009 to 2010.

WCSU-FM

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. Cash consists of the Station's share of University pooled cash and investments.

	2011	2010	2009
Cash Used in Operating Activities	\$ (138,256)	\$ (194,937)	\$ (245,327)
Cash Provided by Noncapital Financing Activities	173,362	226,942	225,139
Cash Used in Capital and Related Financing Activities	(58,009)	-	-
(Decrease) Increase in Cash	(22,903)	32,005	(20,188)
Cash - Beginning of year	182,115	150,110	170,298
Cash - End of year	<u>\$ 159,212</u>	<u>\$ 182,115</u>	<u>\$ 150,110</u>

The Station consumed \$138,256 and \$194,937 in operating activities in 2011 and 2010, respectively. The primary operating cash receipts consist of grants and contracts of \$174,818 and \$184,939 for 2011 and 2010, respectively. Cash outlays include payments for wages and to vendors of \$313,074 and \$379,876 for 2011 and 2010, respectively. The primary noncapital financing activities consist of support from the University.

Cash provided by capital activities increased by \$58,009 in 2011 over 2010 due to purchase of capital assets in 2011. Capital assets had not been purchased in the prior year.

Economic Factors that Will Affect the Future

While the state and local economies are still static, WCSU-FM had a successful year last year and plans continued growth for the future. The Station upgraded one of the studios this year and plans to upgrade another studio next year.

There are several fundraising activities scheduled for fiscal year 2012. They include on-air membership drives as well as a major fundraiser event. Staff has been added to help in these endeavors.

The station is also developing research to identify grant opportunities to help with fundraising in the areas of program and technical support.

Statement of Net Assets

	June 30	
	2011	2010
Assets		
Current Assets - Due from the University (Note 2)	\$ 159,212	\$ 182,115
Capital Assets - Net (Note 3)	<u>74,854</u>	<u>28,401</u>
Total assets	<u>\$ 234,066</u>	<u>\$ 210,516</u>
Liabilities and Net Assets		
Current Liabilities		
Deferred revenue	\$ 155,788	\$ 179,045
Accounts payable	<u>2,370</u>	<u>7,072</u>
Total liabilities	158,158	186,117
Net Assets		
Unrestricted	1,054	(4,002)
Net investment in capital assets	<u>74,854</u>	<u>28,401</u>
Total net assets	<u>75,908</u>	<u>24,399</u>
Total liabilities and net assets	<u>\$ 234,066</u>	<u>\$ 210,516</u>

WCSU-FM

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2011	2010
Support and Revenue		
Corporation for Public Broadcasting (Note 4)	\$ 160,004	\$ 101,675
State Network Commission	21,100	20,468
Contributed services (Note 5)	99,546	75,246
Total support and revenue	280,650	197,389
Expenses		
Program services:		
Programming and production	303,527	324,036
Program information and promotion	29,140	35,541
Support services - Management and general	299,088	316,907
Total expenses	631,755	676,484
Operating Loss	(351,105)	(479,095)
Nonoperating Revenue		
Miscellaneous	5,689	3,159
University support (Note 6)	396,925	462,016
Total nonoperating revenue	402,614	465,175
Increase (Decrease) in Net Assets	51,509	(13,920)
Net Assets - Beginning of year	24,399	38,319
Net Assets - End of year	\$ 75,908	\$ 24,399

Statement of Cash Flows

	Year Ended June 30	
	2011	2010
Cash Flows from Operating Activities		
Grants and contracts	\$ 174,818	\$ 184,939
Payments to employees and vendors	(313,074)	(379,876)
Net cash used in operating activities	(138,256)	(194,937)
Cash Flows from Noncapital Financing Activities -		
Other receipts	173,362	226,942
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(58,009)	-
(Decrease) Increase in Cash	(22,903)	32,005
Cash - Beginning of year	182,115	150,110
Cash - End of year	<u>\$ 159,212</u>	<u>\$ 182,115</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (351,105)	\$ (479,095)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	11,556	7,591
Noncash indirect institutional support	229,252	238,233
Changes in assets and liabilities:		
Receivables - Net	-	1,506
Accounts payable	(4,702)	3,748
Deferred revenue	(23,257)	33,080
Net cash used in operating activities	<u>\$ (138,256)</u>	<u>\$ (194,937)</u>

Note I - Significant Accounting Policies

Organization - WCSU-FM (the "Station") is a radio station owned and operated by Central State University (the "University"), a state-supported, public university. WCSU-FM is located on the campus of the University in Wilberforce, Ohio.

Basis of Presentation - WCSU-FM reports as a "business-type activity," as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the funds of the Station are reported in the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows.

The Station follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the Station applies all applicable Financial Accounting Standards Board (FASB) *Statements and Interpretations*, *Accounting Principles Board Opinions*, and *Accounting Research Bulletins of the Committee on Accounting Procedures* issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Station has elected not to apply FASB pronouncements issued after November 30, 1989.

The financial statements of the Station have been prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when the related liability has been incurred.

Net Asset Classifications - In accordance with GASB Statement No. 35 guidelines, WCSU-FM's resources are classified into the following two net asset categories:

- **Invested in Capital Assets** - Capitalized physical assets net of accumulated depreciation
- **Unrestricted** - Net assets that are not subject to externally imposed restrictions. May be designated for specific purposes by the board of trustees

Operating Versus Nonoperating Revenue and Expenses - WCSU-FM defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received.

Income Taxes - Under Internal Revenue Code Section 501(c)(3), the operations of WCSU-FM are exempt from income taxes as part of the overall operations of the University as a political subdivision of the State of Ohio.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over their estimated useful lives, ranging from 5 to 15 years.

Deferred Revenue - Deferred revenue represents grant money received but not yet expended and as such, revenue will not be recorded until spent.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of revenue, expenses, and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification - Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

Note 2 - Due from the University

The financial records for WCSU-FM are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of WCSU-FM. Separate cash accounts are not maintained for WCSU-FM. Consequently, funds deposited on account for WCSU-FM are reflected in the financial statements as due from the University and, for the purpose of the statement of cash flows, these amounts are considered cash.

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010 is summarized as follows:

	2011			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 15,082	-	-	\$ 15,082
Telecommunications equipment	388,080	58,009	-	446,089
Total	403,162	58,009	-	461,171
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	359,679	11,556	-	371,235
Total accumulated depreciation	374,761	11,556	-	386,317
Capital assets - Net	<u>\$ 28,401</u>	<u>\$ 46,453</u>	<u>\$ -</u>	<u>\$ 74,854</u>
	2010			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 15,082	-	-	\$ 15,082
Telecommunications equipment	388,080	-	-	388,080
Total	403,162	-	-	403,162
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	352,088	7,591	-	359,679
Total accumulated depreciation	367,170	7,591	-	374,761
Capital assets - Net	<u>\$ 35,992</u>	<u>(\$ 7,591)</u>	<u>\$ -</u>	<u>\$ 28,401</u>

Note 4 - Corporation for Public Broadcasting Grants

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deferred until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at June 30, 2011 or 2010.

Note 5 - State Network Commission Grant and Private Grants

WCSU-FM receives unrestricted radio station funding through E-Tech Ohio (OET). For the years ended June 30, 2011 and 2010, WCSU-FM received cash support of \$22,998 and \$22,993, respectively. WCSU-FM received in-kind contributed services support from OET of \$89,430 and \$58,376 during the years ended June 30, 2011 and 2010, respectively.

Private grants in the amount of \$5,689 and \$3,159 in 2011 and 2010, respectively, have been received.

Note 6 - University Support Allocation

The operations of WCSU-FM are supported primarily by the general revenue of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation totaled \$167,673 and \$223,783 in direct support for 2011 and 2010, respectively, and \$229,252 and \$238,233 in indirect administrative support for 2011 and 2010, respectively.

Report Letter on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Trustees
WCSU-FM

We have audited the financial statements of WCSU-FM (the “Station”) as of and for the year ended June 30, 2011 and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WCSU-FM’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of WCSU-FM’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WCSU-FM’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Station’s financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
WCSU-FM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WCSU-FM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management of WCSU-FM, Central State University, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

October 14, 2011

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Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 8, 2011**